



# From Blood to Profit: The Transformation of Value in the American Constitutional Tradition

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CHRISTINE DESAN

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## From Blood to Profit: Making Money in the Practice and Imagery of Early America

Money, wrote Pennsylvanian Francis Rawle in 1725, is “the vital spirit and blood of the body politick.”<sup>1</sup> Is not money, another pamphleteer contended, “the blood of life, which circulates from member to member, throughout the whole body of all living creatures?”<sup>2</sup> It followed that the tokens acting as the medium of value could be anything, “whether it be pewter, silver, spelter, brass or paper, matters not which.”<sup>3</sup> Americans in fact used provincial tax credit notes for money, along with other specie substitutes: “bills of credit” were issued to public creditors and could be employed by the holder or others to pay public obligations like taxes. They were “in value equal” to coin and, like coin, could be passed from hand to hand in the meantime. It was their circulating property—“the ready currency of the thing”—that controlled.<sup>4</sup>

Even as they emphasized money’s fluidity within a discrete community, Americans were on the edge of a new approach to value. In the midst of a revolution won by American paper money, Robert Morris proposed a radically different way of creating currency, one based on profit, not blood. Morris described a combination of gold and credit, each building on the other. Hard money would provide the necessary anchor of value. Public and private loans would in turn extend value, currently dormant, available to those who needed it while enriching those who lent it. Freed from the anxiety over the security of their treasure, individuals would unlock “the secret hoards” of silver and gold that they held.<sup>5</sup> Specie would be both more available, as gold and silver provided a currency, and less necessary, as participants used credit wisely

and well. Both metal money and the credit that multiplied it, in other words, would become available insofar as individuals followed their immediate interest to make more of it.

When early Americans invoked blood and profit, they were trading more than images alone. Those metaphors captured a major difference in the way that participants paid for the money they held. As a medium of exchange, a store of value, and a unit of account, money costs money to construct and maintain in any period.<sup>6</sup> But the money that Americans used before and after the constitutional moment was financed by the public in very different ways. Inhabitants in colonial and revolutionary America, long short of the silver and gold coins minted by imperial powers, improvised a paper money based on a common contribution, the tax obligation all owed. By contrast, citizens in the new nation relied on silver and gold minted at government cost, a medium they considered natural. They then engineered the expansion of that medium through a banking system that multiplied it by lending out at a profit banknotes based on a fractional reserve.

This essay sketches the ways that eighteenth-century Americans paid for the money they made, contrasting a monetary system that operated by eliciting contributions from individuals to the government with a system that employed private self-interest to regulate the money supply. Along the way, the essay samples how those promoting each system articulated their practices. Their words, like the images of blood and profit, suggest that Americans had transformed their political economy at a level as basic as its medium.

First, the new practice and its conceptualization redefined the early American political community: colonials had emphasized its “corporate” nature, its distinctive identity as a communal enterprise. After reorganizing their money, Americans embraced their national stature, one that related members as citizens rather than progenitors of a more intimate project. That change was fed by a second: in the earlier system, voters, taxpayers, and legislators self-evidently “made” money by controlling its creation as part of the fiscal process of taxing and spending. That role was displaced by new incentive structures identified with private investment decisions in the later approach. Finally, the dynamics of money fueled different economic policies. Paper money politics had oriented participants toward market access; the commitment to hard money adopted afterward advantaged a concern with market stability as a platform for individual productivity. The changes together comprised a turn from an early modern to the liberal political economy.

## Making Money in the Provinces

### *The Provincial Practice*

Early Americans used gold and silver when they could get it—but in a world designed to channel specie back to the metropolis, getting it was not easy.<sup>7</sup> In response, provincials improvised a distinctive approach to the currency. They paid people who had given services or supplies to the public in government paper notes that those receiving the bills could later use to pay their taxes. In the meantime, anyone holding the notes could exchange them as money.

The initial experiment occurred in 1690, when Massachusetts, like one colony after another in the following years, found its treasury chronically empty even as settlers demanded that it defend the frontiers and authorities abroad sent orders to extend the Empire.<sup>8</sup> The colony needed a medium to gather, sum up, and apportion out value, a means that would support the purposes of the public as well as the exchange of individuals. The representatives for Massachusetts improvised: they issued paper “bills of credit” to the individuals owed money by the colony—the first recipients were soldiers returned from an expedition against French Canada. The bills were virtual IOUs, each for a limited denominated amount.<sup>9</sup> Each note asserted that it was “in value equal to money” and would be accepted by the provincial treasurer for money due to the government, including taxes, payments, or fines.<sup>10</sup> Paper money could thus be used instead of silver or gold to pay off public obligations; the value of the bills depended on the fact that they would be good for the continuing and predictable demands of government. Accordingly, colonial representatives committed their governments to retire and cancel public bills of credit through regular levies; a failure to bring in the bills would cause them to lose value.<sup>11</sup> In the meantime, the notes “passed current” as money.<sup>12</sup>

When public expenses declined, the provincials devised a second way of putting paper into circulation. They established public land banks that lent borrowers paper money on the security of their land. As in the case of notes paid to public creditors, the bills were good for paying off public obligations—whether taxes or debts to the land bank—and they circulated in the meantime.<sup>13</sup>

By the middle of the eighteenth century, all the established colonies had turned to paper money. Many of them, most notably the mid-Atlantic

provinces, as well as South Carolina and Virginia for some decades, achieved remarkably stable currencies; the New England colonies had much less success.<sup>14</sup>

Like blood, paper money drew upon the body politic it fueled. When the soldiers in Massachusetts accepted IOUs that they would use to pay their taxes later, they made an interest-free loan to the government. That government had used the promise of a future tax credit to pay off a current debt, and it gained the value that attached to using money in the interim between issuing and retiring the notes—or the equivalent of interest on money it would otherwise have paid and not received back again until tax time. The same balance of gain and loss applied in the case of land banks. Individuals paid interest to borrow bills of credit from the provinces, and the provinces received the benefit.

The deal was not a bad one for those receiving payment, however. In return for their forbearance, the government blessed the bills with a quality only it could ensure. Recall that the government allowed the notes to circulate: that negotiability meant that holders could use bills of credit at their present value. In an era when liquidity was limited, the currency of public notes thus recompensed people for the loan they had effectively made to the community when they took its bills of credit without demanding interest. By contributing to the public, individuals had cooperated to create a circulating medium. Americans thus paid in common for the currency they carried.

Individual contribution to the cost of money was a familiar fact of early modern English life. Until 1666, sovereigns converted all the bullion brought to them into silver and gold, but charged for their service: production costs and taxes went to the Crown, the minter often added an unofficial fee as well.<sup>15</sup> Official “seigniorage” varied from 2.2 percent to 12 percent of the value of silver—a significant charge that determined incentives to mint money and, therefore, money supply.<sup>16</sup> The English had also pioneered public credit tokens: Exchequer officials had long used “tallies” to pay public creditors before tax revenues were available.<sup>17</sup> During their short-lived effort to set up a colonial mint, provincials in Massachusetts reproduced traditional British practice, charging holders of bullion for converting it into coins. Meanwhile, colonial paper money reproduced the tax anticipation strategy of the English tally, capturing the value of anticipated taxes interest-free.<sup>18</sup> In the early modern experience, users had always paid the state for money; those in the New World continued to make that contribution to the common resource it represented.

*The Provincial Idiom*

The “blood” metaphor deployed by early Americans resonated with the practices that gave value to their paper money. The bills of credit used by early Americans kept their value because they were worth gold in paying *provincial* taxes. That mechanism defined them as a local currency, the liquid specific to a particular body politic. The “authorship” of money in turn supported a sense of corporal identity. Colonial legislatures decided when to issue money and how to retire it. Local constituencies approved and disapproved the results. That circumstance left users with the conviction that their community produced currency: political authorities working with an involved public appropriately created the medium. Finally, the strategy that Americans used to give value to paper notes emphasized the communal purposes of their money: as each holder accepted a credit and every taxpayer cooperated in the practice that retired bills, all could appropriately claim benefits from that common fund. The debate that Americans conducted over paper money during the eighteenth century wove together those themes—the local character of the currency, its construction by provincial authors, and the purpose of bills to benefit all participants—to create a distinctive political economy.

Early paper money held value only within the community that supported it, an aspect that permeated American approaches to their money and ultimately supported an increasingly robust notion of provincial autonomy. The people of Chester, Pennsylvania, exemplified that local orientation in practice and word. They took radical action in 1768 after the Currency Act of 1764, one of the many imperial missteps that would lead to revolution, had prohibited them from using paper money as legal tender. Stripped of a circulating currency, they asked their representatives to authorize an informal money, one that would pass among “the inhabitants of this province” with their own consent and operate even “in discharge of all contracts.” In other words, the Pennsylvanians were proposing that they accomplish by provincial pact the very end that imperial officials sought to forbid by imperial fiat. The idea depended on a notion of communal, we could say corporal, identity that comported with the scope of paper money. It was, as they defined it, “a medium of commerce issued to the people, which from its nature was not subject to be transmitted to the mother country in discharge of our debts.”<sup>19</sup>

The medium of paper money in fact trained the attention of participants on their own boundaries. From their first attempts to understand

how bills of credit operated, Americans recognized those notes as an internal currency, an “inside” money, as modern economists would say.<sup>20</sup> Paper money, theorized a writer under the populist pseudonym “Roger Plowman,” was as good as silver and gold for any “who live in the country,” if not for “those who want to send money away.”<sup>21</sup> Provincial currency amounted to “the produce of our country,” Roger continued, because that “may readily be purchased with [it].” It was thus “a currency among our selves.”<sup>22</sup>

Opponents flipped the same point: they linked the “local” worth of paper money with the charge that it was of “uncertain, and fluctuating value.”<sup>23</sup> Without “universal consent,” one argued, a currency was liable to “unavoidable doubt” and “dispute.”<sup>24</sup> But most American writers agreed with Roger Plowman. They pointed to the advantages paper carried as a local medium: “I think we cannot find a better [medium] than our paper-bills, as being a currency, which will never be carried away from us,” noted one.<sup>25</sup> The “running stock of any country,” commented another, was “so much the more valuable, by how much it is capable of being confined to the business it was designed for.” Since the circulation of silver and gold could not effectively be restricted, “stamp’d paper” was actually a better choice for “the domestick trade” than specie.<sup>26</sup> An English writer captured the logic of the old money even as he faced the modern era in the 1690s. Money and credit, wrote Charles Davenant, “put life and motion to the whole” and made the nation “strong and powerful.” “When money is carr’d out of the Kingdom,” he continued, “’tis not the substance of such particular persons . . . but ’tis the riches of the whole people, consider’d in a body together, that goes away.” It followed that a public should borrow only from its own members, because a burdensome debt to outsiders is “as an issue of blood, that by degrees, will waste and emaciate the body-politick.”<sup>27</sup>

The way they made money not only oriented Americans to their own boundaries, it also emphasized their own participation. Immersed in the domestic enterprise of creating value, Americans came to approach their political economy—indeed all political economies—as positive constructions authored by their participants. The intimacy of the American regimes over both time and space rendered them more transparent than other, even similar, systems may have been. Colonists had, after all, just recently innovated a money, elaborated its operation, and debated its deployment. They understood the distribution of power that undergirded paper money and currency finance—the role of taxpayers, voters, money holders, and their representatives. The very form of the

debate over money—the audience it targeted, the advocacy it attempted, the aims it incorporated—reiterated that display. The conditions exposed, in that way, the creative character of the whole project. Indeed, the sense that a political economy was a communal enterprise or, at least, required communal cooperation, led observers to explore the role of consent by participants. And it seeped more pervasively into American political economic theory, supporting a turn toward more robust notions of self-determination.

In his earliest writing on money (1729), Benjamin Franklin articulated how money was made in ways that echoed, wittingly or unwittingly, contemporary ideas of society as created by common agreement and for common benefit. “Men have invented MONEY,” he wrote, and it could be “whatever particular thing men *have agreed to make this medium of*, whether gold, silver, copper, or tobacco.”<sup>28</sup> It replaces barter “and thus the general exchange is soon performed, to the satisfaction of all parties.”<sup>29</sup> Silver and gold, agreed a South Carolinian, “have got the general consent. But if paper, or leather, or any other thing, had as general a consent, it would answer the same end as well.”<sup>30</sup> Indeed, a legislative report confirmed that the public notes used in that colony, although “a tender in law” only at the public treasury, had been treated as currency in private exchange “by common consent.”<sup>31</sup>

By midcentury, writers identified their paper money economy with an audacious sense of provincial engagement and integrity. Who but themselves, crowed one advocate, “has then the inhabitants of the province been at work for?” Do they not “borrow the money of themselves?” and improve the bills “to their own advantage?” Have they not, the provincial boasted, “set themselves up in the world upon their own foundation?”<sup>32</sup> The claim located paper money as a political enterprise engaging legislators, taxpayers, constituents, and creditors. In modest to more aggressive renditions over the century, Americans identified their collective action on money and finance with their domestic operations of governance.<sup>33</sup>

Borden’s comment suggests as well a final theme captured in the metaphor of money as blood. Defining money as a medium produced of their own contribution for their own community, Americans assumed that it should carry benefits equally to all members of the body politic. Most basically, provincials argued that augmenting liquidity would promote economic development. Money, claimed many of the pamphlets and broadsides, “answer’d our present exigencies, reviv’d trade, render’d commerce and dealing more easie and safe.”<sup>34</sup> It had



given “prodigious encouragement” to all kinds of enterprise.<sup>35</sup> Money, one particularly enthusiastic proponent put it, had enabled Americans “to tear up trees by the roots, and to split the rocks in pieces, clear their land, fence it in, plough, sow, reap, and mow, build houses, ships” and achieve all sorts of other successes.<sup>36</sup> Indeed, as the petition from Chester put it simply, “In proportion to the quantities of paper money thus prudently issued, the welfare and interest of this city and province hath been promoted beyond the most sanguine expectations of their warmest friends.”<sup>37</sup>

Paper money advocates exhibited a special solicitude for debtors and those people laboring to break into the market. They were “divers freeholders and inhabitants” in “exigencies,” housekeepers and tradesmen who, “by some misfortune, had fallen behind-hand in their stocks.”<sup>38</sup> A “bad fate often happens,” observed one commentator, “both to the good and wise, by ways unforeseen by any mortal, as fire, sickness, becoming surety, persecution, robbery, etc.”<sup>39</sup> Many, if not all, were “considerate and diligent” and, if given a chance, could extricate themselves from debt.<sup>40</sup>

Correlatively, provincials in colonies with stable paper money voiced skepticism of the wealthy. That sentiment flowed from the suspicion that those with more money could actually control its supply: by hoarding it, they could drive down the values of land and produce, bankrupt the poor, and dry up exchange. Without paper money, one pamphleteer suggested, the “rich misers” would reduce the people “again to their duty of eating bread by the sweat of their brows” and the poor to “tear one another.”<sup>41</sup> By contrast, a currency emission would enable “the many to venture their stocks in trade to the prejudice of the few who had so long monopoliz’d it.”<sup>42</sup> The goal of those advocating paper money was to open up entry to those shut out of the market. Money, like blood, was a life-giving force that should flow richly to the whole community.

## Making Money in the New Nation

### *The Constitutional Regime*

The colonial system, refined in debate and practice by the time of the Revolution, expired in the effort of finance that war required. Grounded

on the obligation to pay taxes, paper lost value during the conflict: the Continental Congress could not levy taxes according to the Articles of Confederation, nor did the states succeed in taxing sufficiently to support the money issued by themselves and the national representatives. Paper money had its defenders, those who argued for devaluation and distribution of the costs of the war.<sup>43</sup> In an ironic twist, however, those engineering the American victory looked to British innovation in finance for a different model.

The Constitution paired an approach to metal money calculated to increase the coin supply with recent English innovations meant to multiply the money stock of gold and silver by creating interest-bearing credit. The new strategy displaced participants from a political process that had collected their contributions and granted them control over the money supply. It identified banks instead of legislatures as the institutions that should issue notes, rewarding them with the interest that borrowers were willing to pay for loans in liquid form. Under these circumstances, users could easily reconceptualize money as a medium linked to individual investment. People had always paid for the liquidity they valued, but the logic of that liquidity now turned on profit rather than a communal contribution.

The new regime gained its outline from the Constitution. That text gave Congress the power to coin money and regulate its value, as well as “to borrow money on the credit of the United States.”<sup>44</sup> It barred the states from issuing “bills of credit,” thus prohibiting the method of making money on which they had relied for a century. States were also disallowed to “coin money,” or to “make any thing but gold and silver coin a tender in payment of debts.”<sup>45</sup>

Invested with new authority and alone in the field, Congress began by opening a mint and inviting those holding silver and gold bullion and specie to turn in their heterogeneous stock for new American coins of specified weight and fineness.<sup>46</sup> The government took on the production of copper small change on its own account.<sup>47</sup> But the coins were not only new, shiny, and regular, they were also “free”—at least in the sense that the mint would provide its services at no or minimal charge.<sup>48</sup> The government hereafter would assume the costs of making metal money.<sup>49</sup>

The money supply of the early Republic had a second significant component—banknotes issued by both the Bank of the United States and by state-chartered banks. Banknotes joined specie as an important vehicle of liquidity. They came in small denominations and circulated as a resource that the public would hold without demanding interest.

In that sense, banknotes departed from the character of commercial credit, a development built on negotiable instruments that represented debt and the interest that could be claimed on it, came in varying dimensions, and had limited use as currency. But while banknotes diverged from the character of commercial credit—an important aspect of their character as a public recourse—they also incorporated that development. They were issued by banks that lent money on the basis of fractional reserves for interest from borrowers. The profit in this model was taken in by the banks and due to shareholders. In effect, the institution of banknotes capped or contained the operation of commercial credit, endorsing commercial loans (to the public or the private) as a method of expanding specie to create a medium for everyday circulation. Banknotes defined a public resource, the currency, as a fund appropriately attached to private instruments of profit.

The transformation accomplished by the design, while dramatic, was hidden in the details. Each sovereign—the national government and the states—made the notes issued by their banks receivable for various public payments, institutionalizing a demand for the notes that would support their value.<sup>50</sup> The mechanism that ensured demand for banknotes was thus parallel to the mechanism that ensured demand for bills of credit: Section 10 of the Act to Incorporate the Subscribers to the Bank provided that the notes of the Bank “shall be receivable in all payments to the United States,” just as the acts of colonial assemblies had made bills of credit receivable in provincial taxes. But now, when the public acted to support demand for the notes, effectively creating a currency, it directed profits for the first time to private not public hands.

In turn, sovereigns provided the legalities to make the notes circulate—the federal act thus stipulated that notes “payable to bearer shall be negotiable and assignable by delivery only.”<sup>51</sup> In addition, state and federal governments designed a quantity-control mechanism for the notes that tied notes to fractional reserves and, in the case of capital requirements, interest-bearing debt.<sup>52</sup>

The system enacted by the First Congress expressly imitated the model of public finance and currency creation pioneered by England and effectuated through its powerful central bank. The First Bank of the United States began operating on the basis of capital acquired from subscribers. According to an allowance fixed by statute, they contributed 25 percent specie and 75 percent government bonds—the mixed public/private model of initial capitalization prevailed in the early

decades at the state level as well.<sup>53</sup> The Bank went into business as both a bank of deposit, offering “safe keeping” of funds, and as a lender. While loans to commercial customers were significant and grew quickly, the Bank loaned heavily to the federal government, especially in its first decade. Public borrowing thus played a significant role in the system. While the Revolutionary War debt represented borrowing in another “currency” (goods and services for which the public still paid), the U.S. borrowed afresh—and in the new currency—to cover revenue deficits.<sup>54</sup> In addition, government borrowing allowed greater public spending over time than was possible when expenditures were based on current taxes alone.<sup>55</sup> Those outlays, now payable in the new bills, expanded the money stock, constituted by that currency.<sup>56</sup>

According to a contemporaneous estimate, banknotes (state and federal) contributed \$10.5 million to the \$28.0 million that constituted the money stock in the early nineteenth century, or 37.5 percent.<sup>57</sup> Some 15 percent to 23 percent of that note total was, in 1800, federal.<sup>58</sup> That proportion of the money stock made up of banknotes generated dividends to investors (private or public).<sup>59</sup> Dividends distributed to Bank of the United States shareholders, assumedly in banknotes, averaged just over 8 percent a year during its twenty-year charter period.<sup>60</sup>

### *The Constitutional Discourse*

The man perhaps most powerfully motivated to articulate the way the logic of the new approach contrasted with that of the old was the advocate who first sold the idea to national legislators during the Revolution. On July 29, 1782, Robert Morris sent to Congress his “Report on the Public Credit.” The most sustained discussion of public finance that he put on paper, it established the terms of a new idiom on money.<sup>61</sup> Several years later, the Federalists, led on issues of finance by Alexander Hamilton, would effectively adapt into constitutional design Morris’s proposal. That proposal offers a remarkable horizon onto the new regime.

At the center of Morris’s model was hard money, the funded debt that multiplied it, and the utter conviction that private energy should animate the new system. Governmental action remained important, but it now operated to support the community by facilitating individual initiative. The new approach deployed profit as an organizing principle, and so departed from the themes of the earlier order. Reliance on the local gave way to an appreciation of international investment, the

popular and political were putatively fenced off from the economic, and money brought benefits to society through a new distributive order.

The system tied money inextricably to profit by positing silver and gold as the basic medium and committing the community to expand that medium by public borrowing at interest in preference to taxation. According to Morris, the commitment to a public debt would convince the people that the government would eschew paper money, which the war had shown to be susceptible to inflation when mismanaged. As men gained faith in the government's credit, they would release silver and gold; that money would then be used productively by a nation of entrepreneurs: "The mutual dealings among men on private credit would be facilitated. The horrors which agitate people's minds from an apprehension of depreciating paper would be done away. The secret hoards would be unlocked. In the same moment the necessity of money would be lessened and the quantity increased."<sup>62</sup>

Credit did more, however, than unlock the secret hoards. Private credit allowed transactions to go ahead without money and public credit, here in the form of interest-bearing debt, multiplied the money stock as a transferable instrument. Morris did not yet propose banknotes as a circulating currency, but the government had moved into place as a party that paid for its currency.<sup>63</sup>

The debtors among Morris's audience in Congress and out must have heard him skeptically at this point. They had experienced firsthand the brief benefits of deferred payment and lived to regret them. In Virginia and other parts of the South, the burdens of debt lay heavily on the gentry.<sup>64</sup> But Morris spoke from a different world, one in which borrowing paired with productive investment had only one result—economic growth. Morris presented this world, no doubt deliberately and, he may have felt, quite diplomatically, as one of husbandry. In it, farmer after farmer reliably earned twice the profits from borrowed money as he owed in interest on it. Economic incentive had been promoted here to play a part that was both positive and essential—as essential as blood—in its productive capacity.

For Morris, the same logic should work in the aggregate: the government should borrow when it needed money and use the money to good effect. The economic growth that followed would make paying off the principal much easier than it would have been if the country had not borrowed. As Morris put it (and he considered the example to "depend on rules of arithmetic"), "in a society where the average profits of stock are double to the Interest at which money can be obtained, every public loan

for necessary expenditures provides a fund in the aggregate of national wealth equal to the discharge of its own interest.”<sup>65</sup> The ideal world would actually run on loans alone, obviating the need for taxes, the very linchpin of the earlier system. “Were it possible,” Morris mused, “that a society should exist in which every member would of his own accord industriously pursue the increase of national property without waste or extravagance, the public wealth would be impaired by every species of taxation” (431).

Morris returned to earth in the paragraphs that followed, acknowledging that some taxes would still be necessary to support the state and stimulate those disposed “to indolence and profusion” (*ibid.*). But the template of a new system based on a specie money and animated by a human agency oriented toward profit was set. That template revised the themes of the earlier regime.

The logic of the new system was, first of all, transnational. Gold and silver were, after all, the “universal” medium and investments in them crossed borders instrumentally. International deals, Morris argued, connected foreigners to America just the way that a loan from the City of Philadelphia could link it to the proprietor of an island in the Delaware River—the example drained the difference between individuals and nations, foreigners and citizens, one country and another, out of relevance.<sup>66</sup>

And far from fear that public indebtedness abroad would be as “an issue of blood,” Morris prioritized it. Because government borrowing at home threatened to crowd out its private counterpart, making loans less available and interest higher, the country should not only tolerate but actually *seek* foreign loans.<sup>67</sup> That goal, in fact, itself defined national character: the United States would establish itself internationally when it had demonstrated that it was a “free government whose natural offspring is public credit” (434).

The second theme of the paper money world was also transformed. Popular involvement remained, but it had become the aggregated activity of a million enterprising individuals in the market, not the mobilized action of a community like Chester looking for a political solution. Money, as it was reconceived, was “hard,” external, a matter of silver and gold; it would be attracted to the American market by the opportunities there (436). In fact, Morris assumed it was already there—recall the way that public credit would unlock the “secret hoards” that investors had stashed away waiting for an auspicious moment.

The dynamic that made money in the new regime removed that same responsibility from political representatives. They no longer

ordained issues of paper, matched them to tax levies, and managed (or mismanaged) them to cover deficits. In an intriguing development, the judiciary and the executive became increasingly salient as actors influencing public finance. Public credit was, after all, a matter that should be modeled on the rules of private contract enforced by the courts and could be implemented by the executive.<sup>68</sup> That formulation cut political judgment out of the picture altogether. The legislature, so central to provincial paper money, had virtually disappeared. In fact, the separation of the political from the economic was part of the point. It was only once that had been accomplished that the market would be safe for entrepreneurs to dedicate money to its best uses.

That reasoning brings us to a last difference between the new American regime and its predecessor. Morris, like earlier Americans, conceived that the benefits from the monetary system he described would flow broadly. Where proponents of paper money had emphasized access to the market, however, Morris highlighted productivity and wealth in that market as new distributive strategies.

His report was itself structured around those points. It was, from its first paragraphs, a piece of advocacy designed to persuade an uncertain Congress that public finance could be better anchored to government borrowing, a concomitant of a system based on secure metal money and public bonds, than to “heavy taxes,” the mainstay of the old system (429). Where the earlier approach had sanctified the unique stature of the community, Morris again and again analogized the government to a profit-oriented entrepreneur. That figure provided a model for community development: the government should seek “the same advantage” as did the individual investor using the same strategies (431, see also 432).

Elevating private enterprise became itself a political commitment. Public borrowing did more than produce profits for the government—it also gave “stability to Government by combining together the interests of moneyed men for its support” (432). Concern for creditors here displaced the regard for debtors exhibited in the older system. Creditors were, it now appeared, the industrious, the deserving, the daring. Morris’s reasoning supported providing “solid funds” for the war debt so that this “numerous, meritorious and oppressed body of men, who are creditors of the public” will be rewarded, and the “great groundwork of a credit” laid for the future.<sup>69</sup> Lenders would help the United States again, should it become necessary; public credit thus ensured public safety in times of war” (435).

In times of peace, however, the effect was just as salubrious. The capital represented by a funded credit allowed creditors “the full exercise of their skill and industry.” It was true that they would profit but—and here was the modern vision—so would society. For “by distributing property into those hands which could render it most productive,” the community as a whole benefited. Moreover, “in restoring ease, harmony, and confidence,” the government would gain respect and be “better obeyed.” Finally, maintaining public credit would have a ripple effect, as “the mutual dealings among men on private credit would be facilitated.” The concatenation of advantages continued to include easier tax collection and “a sufficient circulating medium” (437). Morris had organized a world of productivity by starting with a principle of profit to the enterprising instead of contribution by the commonalty.

In the denouement of his report, Morris engaged in a bit of armchair theorizing that exposed the very core of his approach to human agency and, in turn, the society it authored. “Remote objects dependent on abstract reasoning never influence the mind like immediate sensibility,” he wrote. “It is therefore the province of wisdom to direct towards proper objects that sensibility which is the only motive to action among the mass of mankind.” Individuals, alone or in combination, moved as they were motivated by the desire for wealth or the rewards of indolence. The role that Morris assigned taxation was, basically, the role he assigned to politics as a whole. It should create the conditions that, “by stimulating the industry of individuals . . . increases the wealth of the community” (437–38, 430). The constitutional design of 1787 adopted the approach to money that Robert Morris advocated. With that approach, and tied intimately to it, came a new conception of the political economy. The body politic of the earlier American world had been a corporal entity. Politics, like the money it constantly mediated, defined an identity both organic and unique, both drawing from its members and nourishing them. By contrast, the new world was more easily identified as a nation than a body, a union or composite of participants rather than a more organic or cohesive entity. In that nation, politics had a novel relationship to money and to matters economic more generally. Representatives and their constituents in early America had conspicuously and often contentiously debated and determined the money stock of paper. Their authorship of the political economy had even defined self-governance. Now politics became a frame for private productivity: the government created a mechanism to make money and to multiply it by harnessing the urge to profit. Beyond that, the public had no meritorious



role in managing the medium. Finally, the enterprising individual became the strategic center of activity in the new order. The practice of making money had once emphasized the communal effort to produce a nurturing medium. Now it assumed the investor to be the engine for economic growth that would eventually reach the whole.

From a currency created by contribution to the public to a medium subsidized by the public and produced by investors, Americans reconceived the way they produced money during the Constitutional era. Along with their basic medium, they gave the political economy of America a recognizably modern shape. The practice and imagery of making money articulated that transformation.

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### Notes

1. Francis Rawle, *Ways and Means for the Inhabitants of Delaware to Become Rich* . . . (Philadelphia: Samuel Keimer, 1725), 5.
2. William Borden, *An Address to the Inhabitants of North-Carolina, Occasioned by the Difficult Circumstances the Government Seems to Labour Under* . . . (Williamsburg, Va., 1746), 26.
3. Francis Rawle, *Some Remedies Proposed, for the Restoring the Sunk Credit* . . . (Philadelphia: Andrew Bradford, 1721), 7 (emphasizing the need to find a “running stock of money,” made of any material).
4. *Ibid.*, 8.
5. Robert Morris, “Report on the Public Credit,” in *22 Journals of the Continental Congress, 1774–1789* (1782), 437.
6. Thomas J. Sargent and Francois R. Velde, *The Big Problem of Small Change*, *The Princeton Economic History of the Western World Indexes* (Princeton, 2002), 8–10, 45–68; cf. Randall Wray, “Modern Money,” in *What Is Money?* ed. John Smithin (New York, 2000), 45–46.
7. Most historical and economic analyses agree that the supply of coined currency in the American colonies through 1770 was inadequate to allow monetized exchange in all the circumstances that participants would have wished. See, e.g., Farley Grubb, “Monetary Usage in Colonial Pennsylvania: Deconstructing the Literary Evidence,” [*Preliminary Draft*] (2004): 12–17; Charles W. Calomiris, “Institutional Failure, Monetary Scarcity, and the Depreciation of the Continental,” *Journal of Economic History* 48, no. 1 (1988): 47–53; Leslie V. Brock, *The Currency of the American Colonies, 1700–1764, A Study in Colonial Finance and Imperial Relations*, *Dissertations in American Economic History* (New York, 1975), 532; Joseph Albert Ernst, *Money and Politics in America, 1755–1775: A Study in the Currency Act of 1764 and the Political Economy of Revolution* (Chapel Hill, 1973), 6, 48–49, 57–58, 89, 216, 51–52, 59. For a contrary view, see Ron Michener, “Fixed Exchange Rates and the Quantity Theory in Colonial America,” *Carnegie-Rochester Conference Series on Public Policy* 27 (1987); Edwin J. Perkins, *American Public Finance and Financial Services, 1700–1815*, *Historical Perspectives on Business Enterprise* (Columbus, Ohio, 1994), 27 (arguing for adequate money stock considering paper and other components).

8. For an account of the expedition to Canada that catalyzed the turn to paper in 1690, see, e.g., Thomas Savage, *An Account of the Late Action of the New-Englanders* (London: Thomas Jones, 1691); Thomas Hutchinson, *The History of the Colony and Province of Massachusetts-Bay* (New York: 1970; reprint), 336–37, 340–41; Andrew McFarland Davis, *Colonial Currency Reprints, 1682–1751* (Boston: John Wilson & Son, 1910), 21–22.

9. Brock, *Currency of the American Colonies*, 17–19; Davis, *Colonial Currency Reprints, 1682–1751*, 23.

10. Savage, *An Account of the Late Action of the New-Englanders*, 13.

11. Brock, *Currency of the American Colonies*, 28; Claire Priest, “Currency Policies and Legal Development in Colonial New England,” *Yale Law Journal* 110, no. 8 (2001): 49.

12. See Eric P. Newman, *The Early Paper Money of America* (Racine, Wisc., 1967), 204 (specimen).

13. See Curtis P. Nettels, *The Money Supply of the American Colonies before 1720* (Madison, 1934), 268–69; Brock, *Currency of the American Colonies*, 18–20; Priest, “Currency Policies,” 43–44.

14. See Newman, *Early Paper Money* (specimens of paper money by colony). For the impressive records of Pennsylvania, New York, and New Jersey, see Bruce D. Smith, “American Colonial Monetary Regimes: The Failure of the Quantity Theory and Some Evidence in Favour of an Alternate View,” *Canadian Journal of Economics* 18, no. 3 (1985): 544–49; see also Elmus Wicker, “Colonial Monetary Standards Contrasted: Evidence from the Seven Years’ War,” *Journal of Economic History* 45, no. 4 (1985): 881–82 (Pennsylvania, New York); Michener, “Fixed Exchange Rates and the Quantity Theory in Colonial America,” 246–47 (New York, New Jersey). For Delaware, see Richard Lester, “Currency Issues to Overcome Depressions in Delaware, New Jersey, New York, and Maryland, 1715–1737,” *Journal of Political Economy* 47, no. 2 (1939): 185–87; Brock, *Currency of the American Colonies*, 391–93. South Carolina stabilized its paper currency after a tumultuous start. See Bruce D. Smith, “Some Colonial Evidence on Two Theories of Money: Maryland and the Carolinas,” *Journal of Political Economy* 93, no. 6 (1985): 1189–91; Wicker, “Colonial Monetary Standards Contrasted: Evidence from the Seven Years’ War,” 879–80. For Virginia’s short experience with tax-based paper (as opposed to tobacco), see Smith, “Colonial Monetary Regimes,” 557–58. For Maryland’s more mixed record, see Smith, “Some Colonial Evidence,” 1204–5; Brock, *Currency of the American Colonies*, 413, 418–27. For Massachusetts’s problems with paper money, see Calomiris, “Institutional Failure,” 52–54.

15. Albert Edgar Feavearyear, *The Pound Sterling: A History of English Money*, ed. E. Victor Morgan, 2d ed. (Oxford, 1963), 3.

16. *Ibid.*, 3,435 (appearing to indicate still-higher percentage costs born by users).

17. See C. D. Chandaman, *The English Public Revenue, 1660–1688* (Oxford, 1975), 286. For a history locating tallies, like bills of credit, as part of an early modern approach to money, see Desan, “Reconceiving the Creation Story” (2006) (draft on file with author).

18. Philip L. Mossman, *Money of the American Colonies and Confederation: A Numismatic, Economic, and Historical Correlation*, Numismatic Studies, No. 20 Index (New York, 1993), 133 n. 45.

19. Anonymous, *Petition of Divers of the Inhabitants* (Philadelphia, 1768). Terry Bouton identifies the manuscript version of the petition, which I use to date the broadside. Terry Bouton, “Tying up the Revolution: Money Power and the Regulation in Pennsylvania, 1765–1800” (Ph.D. diss., Duke University, 1996), 67 n. 28.

20. Thomas J. Sargent, “The Ends of Four Big Inflation,” National Bureau of Economic Research, Conference on Inflation (Washington, D.C., 1981).

21. Anonymous, *A Dialogue between Mr. Robert Rich, and Roger Plowman* (Philadelphia: Samuel Keimer, 1725), 2.

22. Ibid. Following his own logic, Roger did admit the possibility that the English "will be satisfied neither with the produce of the country, nor the country it self." Ibid. In that circumstance, he concluded with a little flourish of trouble for the Empire, the Americans will have to make their own products or receive goods from the merchants "gratis, which it is to be fear'd, they will not do." Ibid.

23. Landon Carter, *A Letter to a Gentleman in London, from Virginia* (Williamsburg, Va., 1759), 4 (quoting memorial in opposition to paper); James Logan, *A Dialogue Shewing* (Philadelphia, Samuel Keimer, 1725), 35 (emphasizing the ephemeral nature of paper money).

24. Anonymous, *The Commercial Conduct of the Province of New-York Considered . . .* (New York: Printed for the benefit of the Society of Arts, Agriculture and Oeconomy of New-York, 1767), 13.

25. Anonymous, *An Essay on Currency . . .* (Charlestown, S.C.: Lewis Timothy, 1734), 7; see also Anonymous, *An Essay on Currency*, 6, 16, 24 (similar); Penn. H.R., *Address of the House of Representatives of the Province of Pensilvania [Pennsylvania], in General Assembly Met, This 7th Day of December, 1725, Appended to Keith, a Just and Plain Vindication* (Philadelphia: S. Kreimer, 1725), 28 (identifying provincial currency as expedient "to pass amongst ourselves, having not cash enough to carry on our domestick affairs and commerce").

26. Rawle, *Some Remedies Proposed*, 9, 10; see also So. Car. Gen. Assembly, *Report of the Committee, Appointed to Examine into the Proceedings of the People of Georgia . . .* (Charles-Town, S.C.: Lewis Timothy, 1737), 299–300 (substitutes act for gold or silver when those cannot be kept "in this part of the world"); John Webbe, *A Discourse Concerning Paper Money . . .* (Philadelphia: W. Bradford, 1742), 5 (identifying paper as better than coin in "a dependent government" that cannot control the flow of silver); N.J. Gen. Assembly, *A Modest Vindication of the Late New-Jersey Assembly in Answer to a Printed Paper against Them, Call'd a Representation* (Philadelphia: William Bradford, 1745), 16 ("challenging the world to show a currency less fluctuating, or of a more fixed determinate value" than New Jersey's paper money); Benjamin Franklin, "Remarks and Facts Relative to the American Paper Money," *Pennsylvania Chronicle* 1767, 83 (noting that "very universal estimation" of value attached to specie "is an inconvenience which paper money is free from, since it tends to deprive a country of even the quantity of currency that should be retain'd as a necessary instrument of its internal commerce"); Franklin, "Remarks and Facts," 85–87 (finding paper money superior as a local currency to bank bills, deposit-backed bills, or interest-bearing bills).

27. Charles Davenant, *Discourses on the Publick Revenues and on Trade* (1698), 170, 64.

28. Benjamin Franklin, *A Modest Enquiry into the Nature and Necessity of a Paper-Currency* (Philadelphia, 1729), 17–18 (emphasis added).

29. Ibid., 18.

30. Anonymous, *An Essay on Currency*, 11. Americans applied the logic of consent to gold and silver repeatedly: If paper was local because locally consented, gold was a widespread medium because it had "the universal consent of mankind" or was held in "widespread estimation," 1. See, respectively, Anonymous, *The Commercial Conduct*, 13–14; Franklin, "Remarks and Facts," 83–84; see also So. Car. Gen. Assembly, *Report of the Committee*, 299 (identifying the value of gold or silver as flowing "from the agreement of the generality of the world about them"); Carter, *Letter to a Gentleman*, 16 ("to say that gold and silver coin is current in more places than the paper currency is, and therefore though local yet less confined, is but a kind of begging the question").

31. So. Car. Gen. Assembly, *Report of the Committee*, 297, 310.

32. Borden, *An Address to the Inhabitants of North-Carolina*, 10.

33. See, e.g., William Keith, *A Just and Plain Vindication of Sir William Keith* (Philadelphia: Samuel Keimer, 1726), 3–4; So. Car. Gen. Assembly, *Report of the Committee*, 314; Anonymous, *A Copy of a Letter from Quebec* (Philadelphia, 1747), 1–2; Stephen Hopkins, *The Grievances of the American Colonies Candidly Examined* (London, 1766; reprinted for J. Almon), 1, 4; T.R., *A Letter to the Common People of the Colony of Rhode Island . . .* (Providence, 1763), 4.

34. Rawle, *Ways and Means*, 58.

35. Anonymous, *The Observator's Trip to America, in a Dialogue between the Observator and His Country-Man Roger* (Philadelphia: Andrew Bradford, 1726), 43; see also, e.g., Anonymous, *The Case of the Inhabitants in Pensilvania* (Philadelphia, 1742); Anonymous, *A Scheme (by Striking Twenty Thousand Pounds, Paper Money) to Encourage the Raising of Hemp . . .* (New York: William Bradford, 1737); S. Atkinson, *The Interest of New-Jersey Considered* ([Unknown], N.J., 1743), 3.

36. Anonymous, *Letter from Quebec*, 2.

37. Anonymous, *Petition of Divers of the Inhabitants*. See generally Richard Lester, "Currency Issues to Overcome Depressions in Pennsylvania, 1723 and 1729," *Journal of Political Economy* 46 (1938); Lester, "Currency Issues to Overcome Depressions in Delaware."

38. Rawle, *Ways and Means*, 55; Rawle, *Some Remedies Proposed*, 15.

39. Rawle, *Some Remedies Proposed*, 15; see also Francis Rawle, *A Just Rebuke to a Dialogue Betwixt Simon and Timothy . . .* (Philadelphia: Samuel Keimer, 1726), 16–17 (identifying farmers unable to buy money with their crops); Anonymous, *An Essay on Currency*, 10 (same, for planters struggling to avoid losing land and slaves).

40. N.J. Gen. Assembly, *A Modest Vindication*, 18–19 (acknowledging that some others were "not worth bestowing this care upon"); see, e.g., Rawle, *Some Remedies Proposed*, 15.

41. Anonymous, *The Triumvirate of Pennsylvania in a Letter to a Friend in the Country* (Philadelphia: Andrew Bradford, 1725), 2, 3–4. Other engrossment charges and suggested schemes are in William Keith, *Governor William Keith to the Pennsylvania Assembly, Sentiments on Introducing the Paper Currency* (Philadelphia, 1722), 165; Anonymous, *The Observator's Trip*, 39–40, 43–44; Anonymous, *An Essay on Currency*, 13–14; So. Car. Gen. Assembly, *Report of the Committee*, 297; Anonymous, *The Case of the Inhabitants in Pensilvania*, 1; Anonymous, *Petition of Divers of the Inhabitants*, 52.

42. Governor Robert Hunter to Popple, 3 December 1717, Cal. State Papers, Col., 118, as quoted in Ernst, *Money and Politics*, 29.

43. See, e.g., John Adams, "Letter to the Compté De Vergennes," in *The Revolutionary Diplomatic Correspondence of the United States*, ed. Francis Wharton (Washington D.C., 22 June 1780). For the choices made in War finance, see E. James Ferguson, *The Power of the Purse: A History of American Public Finance, 1776–1790* (Chapel Hill, 1961).

44. U.S. Constitution, Art. I, sec. 9.

45. U.S. Constitution, Art. I, sec. 10.

46. Mint Act of 1792, 1 Stat. 246.

47. Sargent and Velde, *The Big Problem of Small Change*, 313.

48. Mint Act of 1792, sec. 14, 1 Stat. 246, 249. The mint was in operation by 1794. Arthur Kemp, ed., *The Legal Qualities of Money* (New York, 1956), 60.

49. The coins were declared legal tender, as were foreign coins at rates according to their silver or gold content. Kemp, *The Legal Qualities of Money*, 59, 61; Sargent and Velde, *Big Problem of Small Change*, 310.

50. 1 Stat. 191, 196; Kemp, *The Legal Qualities of Money*, 67. By contrast, the notes were not legal tender. For the importance of a demand mechanism, as opposed to legal tender status, in constituting value, see Smith, "Some Colonial Evidence"; Sargent, "The Ends of Four Big Inflations"; Scott Sumner, "Colonial Currency and the Quantity Theory

of Money: A Critique of Smith's Interpretation," *Journal of Economic History* 53, no. 1 (1993).

51. I Stat. 195.

52. Federal notes depended in particular on public bonds at their inception and provided a national exemplar for state practice. Over the next years, public debt reserves gave way to private debt reserves. The transition would reduce government payments for the amount of public debt still used as reserves.

53. An Act to Incorporate the Subscribers, sec. 1–2, I Stat. 191–92; Perkins, *American Public Finance*, 237.

54. The Treasury borrowed first to cover the government's entire subscription to capital, the \$2 million used to purchase its 20 percent share of ownership, and then to survive the series of revenue shortfalls that carried through most of Washington's presidency, for a total of up to \$6 million in 1796. Perkins, *American Public Finance*, 254–55. Private borrowing during the period ranged from \$5.3 to 9.4 million at the end of the decade. *Ibid.*, 254.

55. For this argument, see, e.g., Morris, "Report on the Public Credit."

56. Government debt also, as above, constituted the initial capitalization of the banks.

57. The remainder was made up mainly of specie. Figures from 1792 are comparable: bank notes composed \$11.5 million of a money stock amounting to \$29.5 million, or about 39 percent. See Samuel Blodget, *Economica Microform: A Statistical Manual for the United States of America* (Washington, D.C.: Printed for the author, 1806), as quoted in Perkins, *American Public Finance*, 247.

58. These percentages are based on Perkins's estimates that the money supply in 1800 amounted to about \$6.50 per capita, of which \$1.00 to \$1.50 consisted of Bank of the United States notes. For those estimates, as well as estimates about how much the turn to fractional banking multiplied the total money stock (approximately threefold), see Perkins, *American Public Finance*, 246–47.

59. Dividends from the First Bank of the United States averaged over 8 percent annually; 60 percent of dividends came from U.S. government funds paid to the bank as bond interest and interest on an initial loan covering its whole \$2 million subscription. See *ibid.*, 248, 253.

60. *Ibid.*, 248.

61. See Ferguson, *The Power of the Purse*, 151. Morris submitted his report on 5 August 1782, 22 *Journals of the Continental Congress*, 429–46.

62. Morris, "Report on the Public Credit," 437.

63. *Ibid.*, 433, 436–37.

64. See, e.g., Herbert E. Sloan, *Principle and Interest: Thomas Jefferson and the Problem of Debt* (New York, 1995).

65. Morris, "Report on the Public Credit," 431. The strategy made especially good sense in the straitened circumstances, for America's earning potential would only grow. "For as the Governments acquire more stability, and the people more wealth, the former will be able to raise and the latter to pay much greater sums than can at present be expected" (433).

66. *Ibid.*, 433. For a characteristic trope of the time equating individuals with communities, see Morris, "Report on the Public Credit," 432 ("By making foreign loans the community [as such] receive the same extensive benefits, which one individual does in borrowing of another.")

67. Morris, "Report on the Public Credit," 431–32. Almost as if to mock Davenant, Morris labeled the concern that the interest would form a "balance of trade against us" as like saying "that it would be more convenient to receive money as a present than as a loan" (432).

68. Ibid., 435 (conceiving payment of debt as “simple executive operation”); *ibid.*, 444–45 (considering norms of private contract). Morris also naturalized money and public credit, removing the need for discretion or political analysis from that realm. See *ibid.*, 434.

69. For the drama over the repayment of the Revolutionary War debt, see Woody Holton, “‘Divide Et Impera’: Federalist 10 in a Wider Sphere,” *William and Mary Quarterly* 62, no. 2 (2005): 175–212; Ferguson, *The Power of the Purse*.